

Message Text

UNCLASSIFIED

PAGE 01 DUBLIN 00438 071612Z

10

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 PA-02 PRS-01 USIA-15 SAM-01 /099 W

----- 070170

R 071410Z MAR 75

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 6542

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSP PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

UNCLAS DUBLIN 438

E.O. 11652: N/A

TAGS: EFIN, EI

SUBJECT: CENTRAL BANK PLANS EXPANSIONARY MONETARY POLICY FOR 1975

1. IN A REPORT ENTITLED "MONETARY 1975" RELEASED MARCH 7, IRISH CENTRAL BANK DISCLOSED ITS INTENTION TO PURSUE MILDLY EXPANSIONARY MONETARY POLICY DURING 1975. PAPER DRAWS ATTENTION TO THE TWO PRINCIPAL ECONOMIC PROBLEMS FACING IRELAND: VERY STEEP RATE OF INFLATION AND "MASSIVE" EXTERNAL DEFICIT. REPORT ALSO NOTES THAT ECONOMIC OUTLOOK FOR YEAR IS NOT GOOD. REAL GROWTH RATE OF BETWEEN 1 PERCENT AND 2 PERCENT IS ANTICIPATED, WITH INFLATION RUNNING TO ABOUT 21 PERCENT AS COMPARED TO 17.5 PERCENT IN 1974. CONTINUING BALANCE OF PAYMENTS PROBLEMS ARE ALSO EXPECTED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DUBLIN 00438 071612Z

2. THE CENTRAL BANK IS AIMING AT AN EXPANSION OF MONEY SUPPLY

IN 1975 AT APPROXIMATELY THE SAME RATE AS THE EXPECTED INFLATION. A MILDLY EXPANSIONARY ELEMENT IS CONTAINED IN THE PROVISION THAT COMMERCIAL BANKS IN IRELAND MAY INCREASE THEIR LENDING TO THE PRIVATE SECTOR BY 24 PERCENT DURING THE YEAR OR AT A SOMEWHAT HIGHER RATE THAN EXPECTED INFLATION RATE. CREDIT RESTRICTIONS ON A NUMBER OF LOAN CATEROGIRES HAVE ALSO BEEN EASED, AND THIS SHOULD PROVIDE A MUCH NEEDED STIMULUS.

3. CENTRAL BANK, AS IN PREVIOUS REPORTS AND PUBLIC RELEASE. EXPRESSED GREAT CONCERN AT RATE OF GROWTH OF MONEY INCOMES. IT AGAIN POINTS OUT THAT INCOME INCREASES ARISING FROM THE 1974 NATIONAL PAY AGREEMENTS WILL ENSURE, WITHOUT ANY NEW AGREEMENT, A 25 PERCENT RISE IN NATIONAL WAGE BILL IN 1975. BANK AGAIN CALLS FOR WAGE RESTRAINT IN ORDER TO KEEP INFLATION IN CHECK. REPORT ENDS ON WARNING THAT ANY NATIONWIDE INFLATIONARY WAGE SETTLEMENT MIGHT CAUSE BANK TO "RE-ORDER" ITS MONETARY POLICY WITH A VIEW TOWARD INITIATING NEW CREDIT SQUEEZE TO CONTAIN INFLATION. MOORE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, ECONOMIC CONDITIONS, FINANCIAL STABILITY, MONETARY AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DUBLIN00438
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750081-0484
From: DUBLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750373/aaaacnqv.tel
Line Count: 79
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2003 by RuthemTJ>; APPROVED <26 FEB 2004 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK PLANS EXPANSIONARY MONETARY POLICY FOR 1975
TAGS: EFIN, EI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006